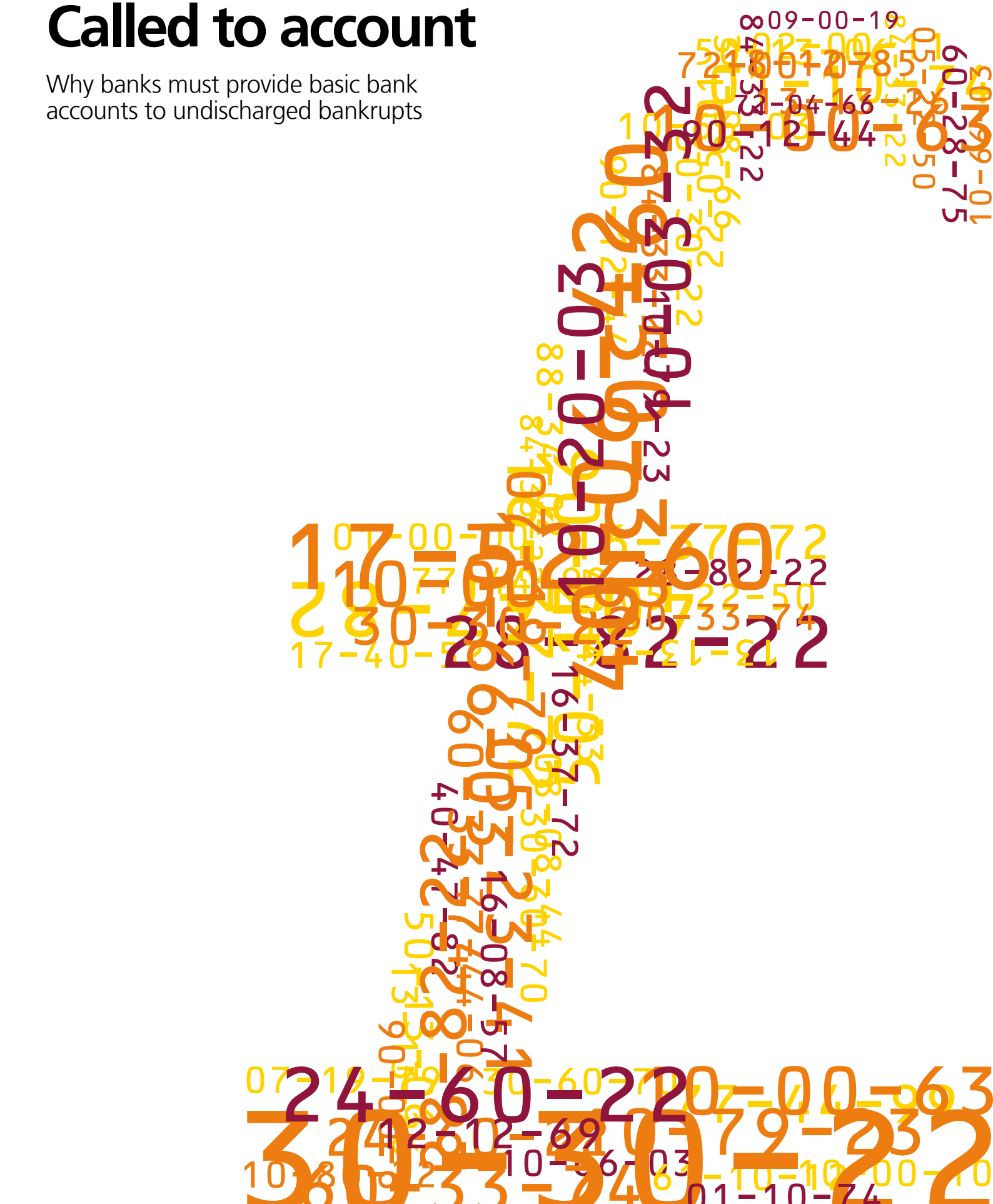
Called to account

Why banks must provide basic bank accounts to undischarged bankrupts



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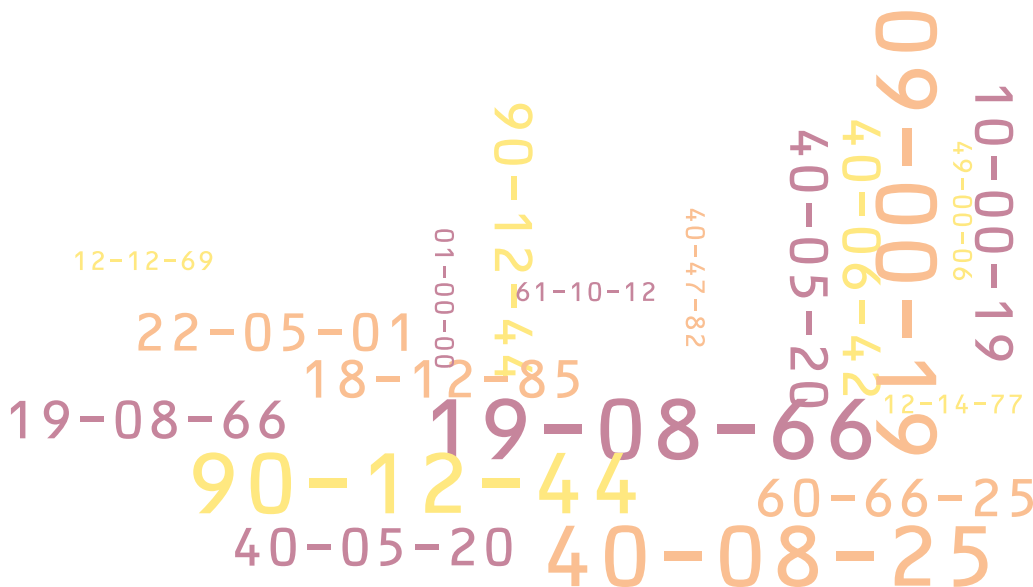
With thanks to everyone who has contributed to this report, especially Penny, Michael, Zoë, Janette, Jon, Lee, Joan and Sue who kindly shared their experiences with us and allowed us to feature them here.

Contents

Introduction and summary	PAGE 2
A brief guide to bankruptcy	PAGE 4
What are the problems?	PAGE 10
The case for offering accounts to undischarged bankrupts	PAGE 18
Conclusion	PAGE 27
Recommendations	PAGE 29
Appendix	PAGE 30



Introduction and summary

Great progress has been made in recent years in improving access to bank accounts. Banks and the government should be applauded for meeting their target of halving the number of unbanked, and enabling an extra 1.82 million people to open a bank account for the first time[1].

However, while significant advances have been made in encouraging financial engagement amongst people who have never had a bank account, new pockets of financial exclusion have emerged. Citizens Advice Bureaux have long been active campaigners and supporters of efforts to tackle the problems faced by people who are excluded from the financial mainstream and our advisers report that people with debt problems can find themselves facing particular difficulties.

For people whose debt problems are impossible to manage there may be no option other than to resort to personal insolvency, such as bankruptcy or a debt relief order (DRO).[2] People in this situation can struggle to obtain what most of us take for granted and without which we would struggle to manage – a bank account.

This report focuses on the experiences of undischarged bankrupts who are explicitly excluded as customers by almost all banks. We note a worrying move to exclude people with DROs as well, with banks simply treating these people as if they were undischarged bankrupts.

When someone is made bankrupt their life does not stop. Wages still need to be earned or benefit income received. Bills still need to be paid. Without access to a bank account these basic tasks can become huge and costly obstacles to overcome, particularly for people who are often at a vulnerable point in their lives. These difficulties impact not only on the individual concerned, but also upon their families and wider society, for example by preventing households from obtaining the best deals for basic services and by creating barriers to employment.

Undischarged bankrupts do have certain restrictions placed upon them as part of the bankruptcy. However, there is no legal reason why they cannot have a bank account. Basic bank accounts are considered the most suitable for undischarged bankrupts as they involve no credit facilities. But of the 17 banks and building societies which offer these accounts (see appendix), currently only Barclays and The Co-operative Bank will allow undischarged bankrupts to open one.[3]

This report highlights the major difficulties faced by undischarged bankrupts in England, Wales and Northern Ireland who are unable to open a basic bank account.[4] We consider why it is that the majority of banks and building societies refuse to offer their basic bank accounts to this group of people. We conclude that their position is unjustifiable and we therefore call upon these banks to change their policies.

Methodology

This report is based on a small number of in-depth interviews with individuals who had been made bankrupt or were planning to petition for bankruptcy. This is supplemented by survey data gathered from 61 CAB advisers who had recent first-hand experience of helping people in this situation and evidence from cases reported directly to us by Citizens Advice Bureaux. We also surveyed all basic bank account providers to find out about their policies relating to offering accounts to undischarged bankrupts and people with DROs. In addition, we sought information from other interested parties such as The Insolvency Service, R3 (The Association for Business Recovery Professionals) and The Association of British Credit Unions (ABCUL).

A brief guide to bankruptcy

What is bankruptcy?

Bankruptcy is a way of dealing with debts that cannot be paid. When a bankruptcy order is made, a trustee is appointed to take over the management of the debtor's financial affairs. The trustee may be the official receiver or an insolvency practitioner. He or she ensures that any available income or assets are shared our fairly amongst the individuals or organisations to whom the debtor owes money.

Bankruptcy usually lasts no more than 12 months. During this period the person is referred to as an undischarged bankrupt and has certain restrictions placed on them – for example they may not obtain credit of £500 or more without disclosing their status. A bankrupt is freed from the majority of their bankruptcy debts upon discharge,[5] after their income and assets have been used to pay off as much of their debts as possible and subject to any remaining obligations which may apply under an income payments order (IPO) or income payments arrangement (IPA).[6] It is important to note that even after discharge a record of the bankruptcy remains on the person's credit record. This usually lasts for a total of six years from the date of the order.

A decision about whether or not to go bankrupt should not be taken lightly. Bankruptcy can have significant and long-term implications and there are a number of complex factors to take into account. For example, the debtor may lose their home if they own it, they may lose other assets, and future access to credit may be severely restricted. In addition, bankruptcy is not the only insolvency remedy for dealing with debts – other insolvency options may be more appropriate, for example a DRO or an individual voluntary arrangement (IVA).[7]

CAB evidence

A CAB in East Yorkshire reported that they helped a 73 year old woman who came for help with her debts. She was caring for her husband, who had Huntingdon's disease, and the couple's only income was their pension and disability living allowance. Over recent years she had acquired £40,000 of debts on credit cards and unsecured loans. One of the creditors had approached the woman offering her a credit card and had proceeded to raise her credit limit although she had not asked for this. When she contacted her creditors via the CAB to explain her situation and make reasonable payment offers, she was met with a lack of sympathy and pressured to pay more. She could not sleep and was nervous and fearful. She was advised that bankruptcy was the best option in the circumstances. The CAB adviser felt that the root of this problem was irresponsible lending by the banks, as it should have been clear to them that someone with only pension and benefit income would never be able to repay such a high level of credit.

How many people go bankrupt?

The number of bankruptcies in England and Wales has increased in recent years. In 2000 approximately 21,500 bankruptcy orders were made. By 2009 this had increased to just under 75,000. A similar trend has also been in evidence in Northern Ireland where the number of bankruptcies increased from just under 350 in 2000 to over 1,200 in 2009. DROs were introduced in England and Wales in April 2009. In the first year just over 11,800 orders were made.

The Citizens Advice service has first hand experience of providing advice about bankruptcy and DROs. We are dealing with more and more enquiries about bankruptcy every year. In 2009-10 Citizens Advice Bureaux in England and Wales dealt with over 150,000 enquiries about this issue; this represented an increase of 10 per cent on the previous year. Bureaux also dealt with almost 116,000 enquiries about DROs. In the same period the Dealing with debt project, which provides debt advice to clients across Northern Ireland, helped over 2,500 new clients. Of the over 1,500 cases which were closed in that year, 240 people petitioned for bankruptcy. This was an increase of 62 per cent on the previous year.

Why do people go bankrupt?

A popular perception of people who have gone bankrupt is that they have 'played the system'. In fact, the reality for the majority of these people is very different. According to the insolvency expert, John Tribe, "[i]t is certainly not as easy an option as some lending institutions would make out – in fact most people would do anything to avoid becoming bankrupt to the point where some take drastic measures."[8]

Tribe's research found that more than half of the people he surveyed in 2005 put their bankruptcy down to a failure to manage their credit.[9] However, as Tribe himself recognised,[8] it is not clear that culpability for this should rest solely with the individual. In fact, qualitative evidence from Citizens Advice Bureaux shows that irresponsible lending can play a significant part in many debt problems with people encouraged to take out unaffordable and unsustainable credit.

More recent research by The Insolvency Service found that the primary reason for people going bankrupt in 2007-08 was 'unplanned changes to [their] circumstances'. This

accounted for around 44 per cent of bankruptcies.[10] And what exactly constituted such unplanned changes? The main reason given was the loss or significant reduction of a bankrupt's income, including loss of employment. Other causes identified included relationship breakdown and illness or accident.

Cases reported by Citizens Advice Bureaux, and interviews conducted as part of this research confirm that in the vast majority of cases people petitioning for bankruptcy are not reckless spenders who are taking the rest of society for a ride. Rather – like Penny* – they are often the victims of a series of unfortunate circumstances which push them deeper and deeper into debt, and which eventually lead to a situation in which bankruptcy is the only solution.

Case study

Penny

Penny's husband left her and her daughter, then aged 11, almost 10 years ago. She had never been closely involved with their joint financial affairs and it was only when he left that she realised how much debt they were in. Her husband had always reassured her that everything was fine. In fact, their debts were large and one loan had been secured on their house without her knowledge.

About two years after they separated, Penny's husband went bankrupt and all the joint debts became her sole liability. Although she had been just about managing before, Penny could no longer afford to stay in her home and she and her daughter had to move in to her friend's home. Seven years later, Penny is still there, living in one bedroom.

Penny tried to manage on her own for as long as she could, but eventually she was unable to cope and sought advice from her local CAB. At this point, she was receiving letters from bailiffs and was very worried that they might try to take her friend's belongings. After taking advice, Penny decided that she had no option but to go bankrupt.

Penny is very anxious about going bankrupt. She feels humiliated and thinks that people see it as an easy way out. However, she said,

"It's been difficult for years and people might see it as the easy way out. I'm not finding it easy at all."

* name changed

What happens to someone's bank account when they go bankrupt?

When someone first applies for bankruptcy their bank accounts are usually frozen or closed by their bank.[11] Someone in this situation therefore needs to make alternative arrangements to receive wages or benefit income and to make payments towards their ongoing commitments.

After the bankruptcy order, an undischarged bankrupt may open a new bank account, but should inform the bank of their bankruptcy. In addition, they should not get an overdraft or any credit over £500 without informing the bank of their situation. Basic bank accounts are therefore usually considered to be more suitable for undischarged bankrupts than standard current accounts because they offer no overdrafts or cheque books.

What options does a bankrupt have to receive their income and make payments?

If a bankrupt is unable to open a basic bank account, they do have a small number of alternative products open to them which allow them to carry out some basic financial transactions. The main advantages and disadvantages of these are summarised in the table on page 8 - 9 together with those of basic bank accounts for comparison.

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Option	Main advantages	Main disadvantages
Basic bank account	Any type of income may be paid in. Facilities for making and receiving electronic payments. Some accounts allow customers to make payments in shops, over phone and on internet using debit card. Can withdraw cash for free from large network of cash machines. Some offer phone and internet banking facilities.	Some accounts provide only cash card and therefore do not allow customers to make payments in shops, over phone and on internet. May incur penalty charges for unpaid items such as returned direct debits. (Charges range from £5–£42). No cheque book or overdraft.
Credit union current account	Any type of income may be paid in. Facilities for making and receiving electronic payments. Some accounts allow customers to make payments in shops, over phone and on internet using debit card. Can withdraw cash for free from large network of cash machines. Offer phone and internet banking facilities.	Usually charge a small weekly fee (typically 50p–95p). Some customers are eligible only for a cash card rather than a debit card and are therefore unable to make payments in shops, over phone and on internet. Limited reach – offered by only 25 credit unions out of more than 300 in England and Wales.
Post Office card account (POCA)	Can receive benefit, tax credit and pension payments from central government. Available regardless of credit history.	Cannot receive deposits from any other source (such as housing benefit, cash, cheques or wages). No facility to make electronic payments. Only available for people in receipt of benefits, tax credits or pension payments. Application process can be lengthy and complex. Money must be withdrawn in cash over post office counter or from limited network of ATMs which are often located within post offices.

Option	Main advantages	Main disadvantages
Managed account[12] A form of budgeting account targeted at people who struggle to open other types of account because of their credit history.	Any type of income may be paid in. Very few restrictions on opening. Offers electronic payment of bills. Able to make payments in shops, over phone and on internet using debit card. Offer remote banking facilities.	Charges can be substantial for people on low income. Charges typically include a set-up fee of around £25–30 and a monthly fee of around £12.50. Lack of personal control.
Prepaid debit card Targeted primarily at people travelling abroad and parents, but may also be used by people who struggle to open a bank account because of their poor credit history. Card can be topped up with a fixed amount and then used like a debit card.	Very few restrictions on opening. Widely available. Able to make payments in shops, over the phone and on the internet. Some prepaid cards offer regular, monthly payments to and from the card. More secure than cash as uses chip and pin technology.	Charges are variable but may be numerous and can be substantial for people on low income.[13] Some prepaid cards do not permit regular, monthly payments to and from the card. May have a caps on usage and or amount topped up. No protection under the Financial Services Compensation Scheme if provider goes bust.
Cheque cashing shops	Cheques can be cashed without a bank account.	Charges may be substantial (typically seven to nine per cent of cheque value). Simply provides access to cash – provides no means of depositing or storing money.

It is clear that most of these alternative products represent an inferior option to basic bank accounts since they either do not match their functionality or charge high monthly fees. Credit union current accounts are the exception to this as they are very similar to basic bank accounts, but they currently have a very limited reach (only 25 of the more than 300 credit unions offer these accounts) and so may not be a viable alternative for many people.

What are the problems?

While Barclays and The Co-operative Bank do offer basic bank accounts to undischarged bankrupts, our evidence shows that not everyone in this situation is able to take advantage of this. As a result many people find that they are unable to open an account at all.

The inability to open a bank account brings with it many problems. Most people take having a bank account for granted. Beyond checking their statements, they may give little thought to the many transactions that pass through their accounts. However, the need to carry out such transactions is thrown into relief when the ability to do so is taken away. Undischarged bankrupts are not people who have never had a bank account; they have had accounts before and are not accustomed to life without one. Adjusting to this situation can be incredibly difficult.

As one CAB client, Zoë explained, "The fact that I've not got a bank account makes me feel like…not like I'm not me, but…who doesn't have a bank account? Everybody's got their own bank account, you know?"

Another client, Penny, whose story featured on page 6 was yet to petition for bankruptcy and was terribly worried about being without an account. She could see no way of managing without one: "I couldn't live [without a bank account]. I'd basically be out on the streets, because I couldn't pay for anything then."

Our research shows that undischarged bankrupts and their families face considerable practical, financial and emotional detriment as a result of the policies of those banks which refuse their custom. The problems that CAB clients report fall into five main categories:

- Repeated rejection.
- Problems receiving income.
- Practical difficulties.
- Financial disempowerment.
- Paying more for services.

Repeated rejection

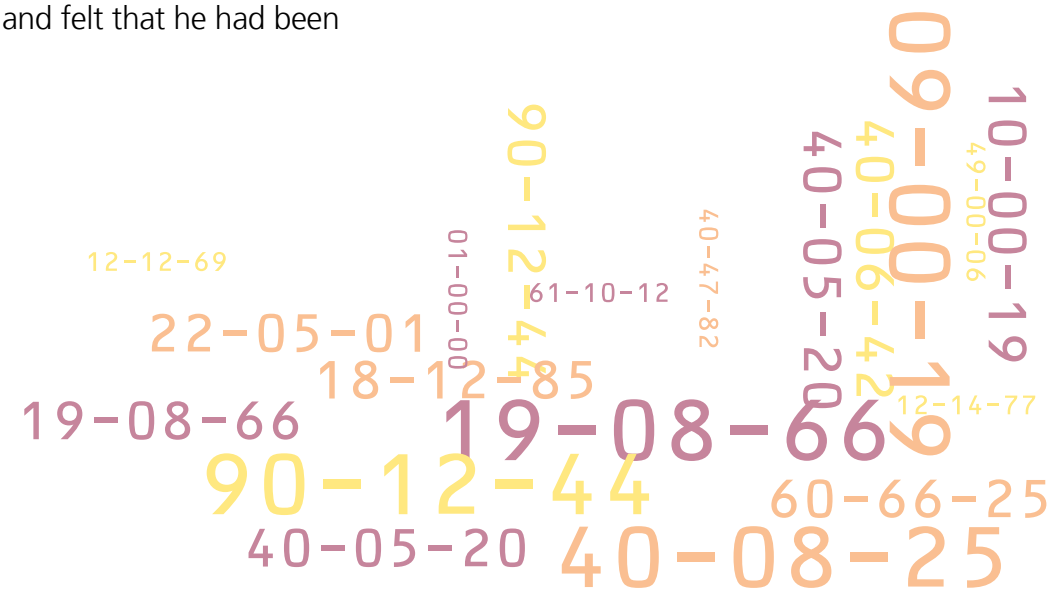
According to CAB advisers who responded to our survey, people who are undischarged from bankruptcy frequently approach multiple banks in order to try to open an account. Seventy five per cent of advisers from whom we received information about this issue (45 of 60) said that their clients approached multiple banks 'always' or 'often'. A further 20 per cent (12 of 60) said this was sometimes the case.

One person we spoke to, Lee, estimated he had visited at least 10 bank branches – every single one in his local town – in his attempt to open an account.

It seems likely that clients would approach multiple banks because they are unaware of the policies of the different banks and do not know that Barclays and The Co-operative Bank are willing to open accounts for people in their situation. In some cases, however, it is because there is not a branch of either of these banks nearby. For example, Zoë told us that her nearest branch of The Co-operative Bank was in the next city, and despite having a car, she was unable to afford the petrol to keep driving there and back. The problem is particularly acute in Northern Ireland where there are only nine branches of Barclays and one branch of The Co-operative Bank.

Although it may be possible to open an account remotely, some people prefer to deal with their bank in person, especially if this involves explaining difficult personal circumstances. Some people are also reluctant to ask for a new account at the same bank at which they had a debt. Our data also indicates that in some cases certain branches of these banks incorrectly apply their policies and wrongly turn people away.

The experience of visiting many banks, only to be turned away, is not only inconvenient and time consuming, it can also be extremely demoralising. One client, Jon* said he had visited approximately 20 banks, and felt that he had been treated "like a leper".



* name changed

CAB evidence

A CAB in Kent reported that their client had tried to open an account in several banks after she went bankrupt. Her employer had been unwilling to pay her salary into anyone else's account and the client had therefore been forced to give up her job.

CAB evidence

A client of a CAB in Hampshire had also had difficultly opening an account after his bankruptcy. He was unemployed but had managed to find an employer who was willing to offer him a job. Unfortunately, however, the employer was not willing to allow the client to begin work until he had a bank account in order to receive his wages.

CAB evidence

A CAB in Dorset reported the case of a man who had recently been made bankrupt. He was still working and was paid by cheque, but was unable to cash them because he had no bank account. The client had approached around 10 different banks but had been turned down by them all. He had accumulated cheques worth approximately £3,000; money he had earned and was entitled to, but which he had been unable to access.

Problems receiving income

One of the most serious difficulties faced by people who cannot open a bank account is that it can be difficult or impossible to receive wages by any method other than electronic transfer. Currently 89 per cent of workers receive their pay directly into their bank account but it is estimated that by 2018 95 per cent of workers will be paid in this way.[14] Paying wages by any other method is likely to cost the employer extra time, effort and money.

When we spoke to Penny, who was yet to make her bankruptcy petition, she was very anxious about what would happen if she were unable to find a bank which would allow her to open an account. The extent of this worry was contributing to her delaying making her bankruptcy petition. She felt she could not speak to her employer to discuss an alternative method of payment, and if she had no bank account she would be unable to receive her wages. She would therefore be unable to go bankrupt and would remain trapped in a situation that was seriously affecting both her physical and mental health. She said, "If I can't get my pay into that bank, or any bank, can I go bankrupt? Because I need my pay to survive on. If no banks will take me on, where do I go from here?"

Sixty nine per cent of advisers who told us about this issue in our survey reported that it was problematic for their clients (37 of 53). The problems can be very serious; evidence we receive from bureaux suggests that sometimes the inability to open a bank account results in people losing their jobs or failing to obtain employment. Even where people are in work, their relationship with their employer may be strained by having to make alternative arrangements to receive their wages.

For other clients, such as the self-employed, who may rely to a great extent on cheques, it can be difficult and or costly to cash these without an account.

CAB evidence

A client who visited a CAB in Surrey was self-employed and was paid by cheque, but had no bank account as he was an undischarged bankrupt. He was able to cash his cheques but he had to pay a £50 fee every time he did so. The adviser was concerned that this would lead to further financial difficulties for the client.

Case study

Michael*

Michael is in his 50s. He is employed full-time and lives in a rural area of Northern Ireland.

When Michael decided to petition for bankruptcy in late 2009, he knew that his bank account would be closed. He needed an account to pay his wages into so he went to another bank, explained his situation and opened an account. He was told that his bankruptcy would not be a problem. However, when he was declared bankrupt, the bank closed his new account and returned his wage cheque to his employer.

Michael tried to open an account with several banks but was told by them all that he could not do so. He told us:

> "it made me feel like I had done something wrong, that there was something held on me somewhere that was saying don't give me an account. My employer could not issue me a cheque locally or pay me cash. [A cheque] had to be brought over personally by a senior manager from head office in England. The HR [human resources] manager told me I had to sort it out as this could not continue."

Michael has been able to open a savings account at a local credit union. However, to withdraw money, he must draw out a savings cheque, which he then has to take to a 'money shop' to cash. This costs him nine per cent of the cheque value each time.

* name changed

CAB evidence

A CAB in Surrey reported that an 80 year old man had come to them for advice. He had recently had a DRO approved and had initially been told by his bank that he would be allowed to keep his bank account open. However, he was later told that his account would, in fact, be closed and that his pension credit payment would be returned to the Pension Service. The man had always been very loyal to his bank and was reluctant to try to open a new account anywhere else. Without access to his pension credit, he was left with no money to pay for food.

CAB evidence

A CAB in East Sussex saw a woman with two children who was unable to open a bank account because she was an undischarged bankrupt. She had a POCA which she used to receive her benefits but she was unable to receive her ex-husband's voluntary maintenance payments as the POCA does not accept this type of payment.

For those who rely on benefit income, problems may also arise. According to the Payments Council, "[t]en years ago 87 per cent of benefits and pension payments were made in cash. Today, 79 per cent are payments directly into bank accounts."[14] In our survey 43 per cent of CAB advisers (23 of 53) reported that being unable to receive benefits was a serious problem for their clients.

The Post Office Card Account (POCA) might seem to represent a solution for people unable to open a bank account since it can be used to receive electronic transfers of most benefits, state pensions and tax credits. However, this solution is limited as other payments are not accepted. Wages paid directly by employers, occupational pensions and housing benefit paid by local authorities cannot be received via a POCA. So while the POCA may be a valid alternative for some, its limitations mean that a bank account remains essential for many people.

Practical difficulties

Having no bank account can make carrying out everyday transactions much more difficult.

Zoë reported having to rely solely on cash for her day to day purchases, as her wages were paid in to her mother's account. When she was paid, her mother would withdraw her money for the month. This was not safe for Zoë, who had to carry around a large quantity of cash. It was also very time consuming for Zoë's mother who had to go in to the branch because she could not withdraw enough at the cash machine.

Relying on cash meant that Zoë could not access some services that she had previously depended upon. For example she was unable to use chip and pin petrol pumps when the petrol station shop was closed late at night. Another client, Janette, told us that she had experienced difficulties trying to pay her council tax over the phone as the type of debit card that came with her managed account was not recognised.

Case study

Zoe

Zoë is a young woman in her mid 20s who lives in North Wales. She is single, has no children and works full time. She went bankrupt in 2009 following the breakdown of her relationship.

Zoë said she feels that everyone should have the right to a bank account, and that the way she and other undischarged bankrupts are treated by most banks is unfair.

"I'm not asking for an overdraft, I'm not asking for a card that I can use anywhere other than that bank...They're not interested because they can't make any money on you, and that's how it seems."

Financial disempowerment

If people are unable to open a bank account, they must find alternative means of managing their finances. A significant number of CAB clients rely on a friend or relative who will allow them to deposit money in their account.

Using someone else's account reduces a person's independence and privacy. It also clearly relies on a high degree of trust, and the potential for accidental or deliberate misuse of the client's money is high.

Seventy nine per cent of advisers who responded to our survey reported that using someone else's account caused problems for people who did this (42 of 53). Seventy one per cent of these said it caused serious problems (30 of 53).

Where people do rely on a friend's or relative's account they may find it difficult to keep track of their finances. This can be particularly upsetting for people who have gone bankrupt since it can hinder their attempts to take responsibility and start afresh; several of our clients reported that since their bankruptcy they were much more concerned about being in complete control, and saw it as an opportunity to learn lessons and move on. Zoë had set up her direct debits to be taken from her mother's account immediately after she was paid each month. However, she was unable to check the account herself to make sure that the payments had been taken correctly. Furthermore, whenever she had to arrange a new payment, or speak to a

service provider, she was obliged to pass the phone to her mother to provide or confirm the account details.

Despite these problems, the people we interviewed who used someone else's account to manage their money regarded themselves as lucky to have someone to turn to for help. They expressed concern about how much more difficult it would be if they could not do this.

Other people choose to use a managed account, rather than rely on a friend or relative. These accounts provide a banking service to people with an impaired credit record, including undischarged bankrupts, for a fee. Typically, this will include a set-up fee of around £25-30 and a monthly charge of around £12.50. In addition to this financial burden, one client, Janette, told us her managed account made her feel disempowered. The account was made up of two separate parts. One was used to receive her income and pay her bills. Any money left after this was transferred into the second for her everyday use. The account was managed by a 'money manager' who was able to decide how to allocate the money between different accounts. This was not always wholly predictable and sometimes errors had been made. Janette also felt that the account marked her out as different. She explained how she felt: "I'm not in control and I don't like that…I don't want to be somebody who's treated differently any longer than I have to be. It's not a nice feeling…I'd like to be just doing the normal things without being pulled up and humiliated."

Case study

Janette

Janette is in her 40s. She went bankrupt in August 2008 and was discharged the following year. At the time we interviewed her, in April 2010, she was still unable to open a mainstream bank account.

"Yeah, I've made mistakes and I've paid for them and I don't want to be paying for them any more. I want to get myself back on my feet. I want to get back into the real world."

CAB evidence

A CAB in London told us about an 86 year old woman who had been charged £4.50 to pay her quarterly telephone bill at the post office. The cost of her calls was only £4.

CAB evidence

A disabled woman who sought advice from her local CAB in Wales had her basic bank account closed by her bank after she obtained a DRO. She went to take money out of her account and her bank card was retained by the cash machine. When she queried this, she was told that her custom was no longer wanted. She had received no notification of this, and it took a significant amount of negotiation with the bank to enable her to withdraw the remaining money from her account. The client found this very upsetting and was unable to pay her essential bills as these had previously been paid by direct debit and she therefore had no payment cards or slips with which to make payments.

CAB evidence

A CAB in Hampshire told us about their client who had fallen into arrears with several of her ongoing payments – which included utilities, life insurance and a dental plan. This was because she had her bank account closed and was therefore no longer able to pay by direct debit.

Paying more for services

There is compelling evidence that the poor frequently pay more for a wide range of services.[15] This is particularly the case for people without bank accounts; forced to rely on more expensive methods of payment they face higher costs and charges. For people on a low income these additional costs can swallow up a significant proportion of their household budget.

The people we interviewed for this research were generally on relatively low incomes, and all indicated that they had to manage on a reasonably tight budget. Without an account, people are unable to benefit from direct debit discount schemes or online discounts, and in one case an interviewee reported being charged an extra fee to pay bills over the counter at the Post Office. This is an issue that we hear about regularly from CAB advisers.

For some products, such as insurance, it can be impossible to spread payments over the year unless a direct debit facility is available, meaning that it may be necessary for people without an account to pay a large 'up front' yearly premium or make do without cover. Other people may face charges for cheque cashing services, which can be substantial. Typically charges range from seven to nine per cent of the cheque value.[16] According to our survey:

- 66 per cent of advisers (35 of 53) reported that having to pay more for services because of an inability to use direct debits was a problem for their clients
- 47 per cent of advisers (25 of 53) saw this as a serious problem
- nearly 40 per cent of advisers (21 of 53) regarded the payment of fees for cheque cashing as a serious problem for their clients.

Having no bank account can also lead to difficulties paying bills. According to our survey, nearly 55 per cent of advisers (29 of 53) believed that having difficulty making payments on time was a serious problem for the clients they had advised. Businesses are also affected if payments are missed and must be chased.

Jon told us that being without an account had led to delays paying some bills, including his mortgage, which he was allowed to retain following bankruptcy because his property held no equity within it. He told us that he was still in arrears after several years as a result of this delay.

The case for offering accounts to undischarged bankrupts

Almost everyone relies on some form of credit in their everyday life. While most people who borrow money will pay it back, sometimes people find themselves unable to do so, perhaps because they lose their job or because their relationship breaks down. This is inevitable.

Already the number of bankruptcies is on the increase and efforts must be made to adapt to this reality. It is therefore essential that action is taken to help people who do go bankrupt to make a fresh start. One simple way of doing this would be to broaden access to basic bank accounts for undischarged bankrupts.

Two banks – Barclays and The Co-operative Bank – will offer accounts to undischarged bankrupts. Why is it that they are able and willing to offer accounts to undischarged bankrupts when the other 15 banks that offer basic bank accounts feel unable to do so? And why is it that most banks still refuse to offer accounts despite repeated calls for them to do so, for example by the Treasury Select Committee[17] and the independent reviewer of the Banking Code?[18]

Why are some banks willing to offer accounts?

We spoke to both Barclays and The Co-operative Bank in order to understand how they have come to take such a different view to the majority of their banking competitors. Both banks kindly agreed to provide an official statement outlining their reasoning. These are reproduced on pages 19 and 20 and each is accompanied by a case study which highlights the difference that being able to open a basic bank account has made to one of their customers.

Barclays statement

"Barclays Cash Card account is a flexible, high functioning basic bank account, offering many services, including choice of ATM or debit card, free access to the LINK ATM network and online banking. It is an entry-level bank account that forms part of Barclays current account range, without access to credit. The account is available to those who have not previously held a bank account before and those who want a basic account with no credit facility.

An important part of our basic banking offering is ensuring our Cash Card account is available to consumers with an undischarged bankruptcy because we recognise the important role a transactional bank account plays in getting customers finances back on track and reintegrating them into the financial mainstream."

Andrew Harris,
Head of Current Accounts

BARCLAYS

Barclays' case study

Joan*

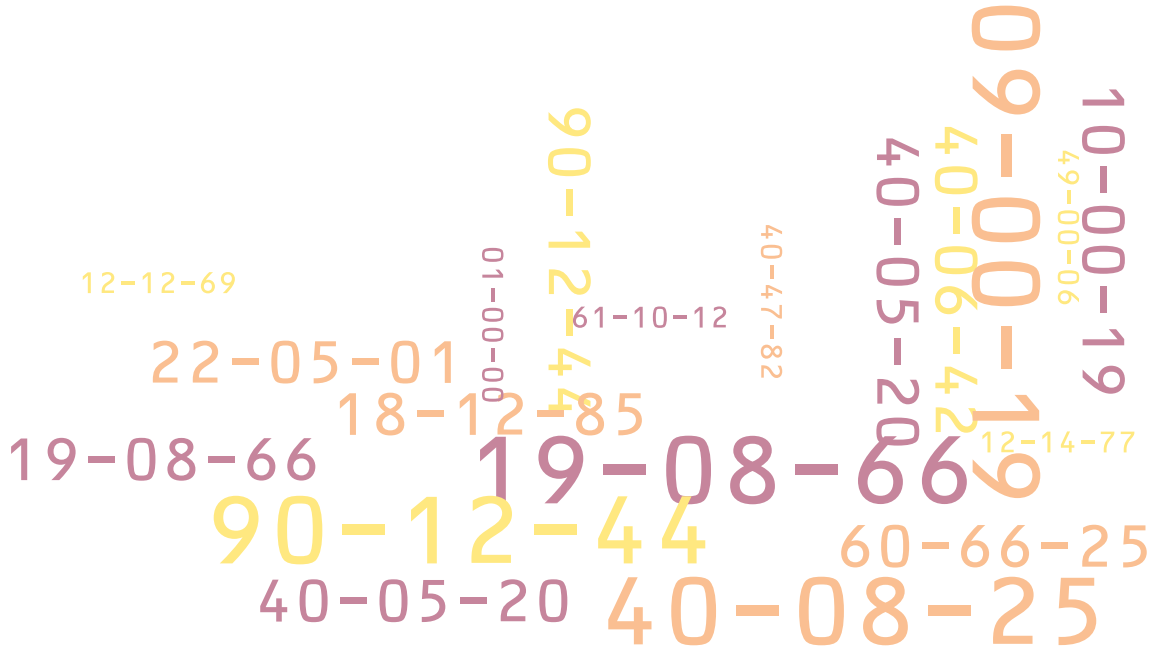
Until 2007 Joan worked as a personal assistant, doing a series of temporary assignments, but as she got older, she found she was offered fewer jobs and eventually, aged 63, she was unable to support herself.

Without work, Joan could not meet her financial commitments and she quickly got into financial difficulty. After taking advice, Joan took the decision to petition for bankruptcy. Joan's existing bank account with Barclays had to be closed and she contacted several different banks to try to open a new account but had no success.

After a short time, Joan was invited by Barclays to open a basic bank account. She managed to transfer her direct debits to her new account in time to avoid missing any bill payments, and she was able to receive her pension on time as well. Joan explained that if she had not been able to open an account:

"then there would have been a big problem, because I wouldn't even have been able to get my pension."

After two years Joan was invited to upgrade her account and this allowed her to use a debit card in shops and abroad, and to do internet banking which helps her to keep an eye on her finances.



* name changed

The Co-operative Bank statement

"Taking a responsible approach to business has been a guiding focus of The Co-operative Group since its inception and The Co-operative Bank has worked to promote financial inclusion with some of the most excluded groups, such as prisoners, since we believe that banks can – and should – play their part in offering people a fresh start.

The Co-operative Bank recognises the need to have a transactional bank account to be able to participate fully in modern life and our Cashminder basic bank account is available to undischarged bankrupts. We recognise that the account plays an important role in helping reintegrate people back into the financial mainstream.

We urge the rest of the banking sector to play their part and join The Co-operative in providing accounts for undischarged bankrupts."

John Hughes,
Director of Retail Banking

The co-operative bank
good with money

The Co-operative Bank case study

Lee

Lee is an agricultural worker in his 40s. He lives in a rural area and has a teenage daughter who lives with him. Lee was declared bankrupt in early 2010 following the break-up of his marriage.

When Lee told his bank that he had been made bankrupt, they told him that they could no longer deal with him. Lee went to every bank and building society in his local town to try to open an account, but had no success. Lee was fortunate that his employer was temporarily willing to pay him in cash, and he was able to use this to pay most of his regular bills, although for some of these he was charged an extra fee. Lee had to rely on his parents for help to pay some bills that were only payable by cheque.

Finally someone suggested to him that he try The Co-operative Bank and an account was opened for him. This made life a lot easier for him and The Co-operative Bank gained a loyal customer.

ABCUL statement

"The Association of British Credit Unions (ABCUL) and our members are committed to the principles of financial inclusion. In this we have worked alongside the Government, financial institutions and other organisations.

A key element in alleviating financial exclusion is providing access to transactional banking. For this reason, ABCUL together with 25 member credit unions and the Co-operative Bank have developed the Credit Union Current Account (CUCA).

For undischarged bankrupts to be denied access to transactional banking only worsens their already significant financial difficulties. Yet there is no regulation or legislation that prevents an organisation from providing a transactional bank account to an undischarged bankrupt as long as their trustee is made aware of it. Providing access to transactional banking for undischarged bankrupts and other hard-to-reach groups is not impossible, nor too risky, provided the correct approach is adopted: strong relationships with members, active recognition and support for those with difficulties and tailoring products and services to their needs."

Mark Lyonette,
Chief Executive

ABCUL
Association of British Credit Unions Limited

ABCUL

We also include a statement from the Association of British Credit Unions (ABCUL) since they and 25 of their members have recently launched the credit union current account (CUCA). In developing this account, they decided to offer it to marginalised groups such as undischarged bankrupts, recognising that access to a transactional bank account provides security, flexibility and access to significant savings when making payments. As noted above, however, it is only available from a small number of credit unions meaning that its reach is very limited. An agreement for credit unions to distribute their products via the post office network, as was proposed by the previous government,[19] might alter this. Such a move could greatly increase the availability and visibility of credit union services including the CUCA and this could make it a more viable alternative for many people.

Case Study – White Rose Credit Union

Sue*

Sue had been a member of White Rose Credit Union for some time when her relationship broke down and as a result her financial position deteriorated rapidly. Struggling to meet her obligations to creditors and pay for everyday necessities, she sought advice and was directed towards personal bankruptcy.

The credit union was well aware of Sue's reliable record as a member so when her bank withdrew her current account, Sue's application to open a Credit Union Current Account (CUCA) was accepted. White Rose Credit Union initially issued an ATM card account to Sue which eliminated the risk of her going overdrawn and incurring new debt during her undischarged period. After several months, having demonstrated to the credit union that her financial position was much improved, the credit union accepted Sue's application to be upgraded to a debit card with greater functionality built-in.

White Rose
Credit Union Ltd

* name changed

After-acquired property and disposal of funds

Understandably, bankruptcy law[20] dictates that should an undischarged bankrupt's financial situation change for the better then they are under an obligation to inform the trustee. Failure to do so is an offence. Where such a change relates to an increase in income, the trustee must be informed and they may arrange for some of this income to be paid to creditors in the form of an income payments order or income payments agreement.

Where the change in circumstances involves some form of windfall payment, the trustee may claim this as 'after-acquired property' for the benefit of the bankruptcy estate. Having given notice to the trustee of any sudden financial gain, the bankrupt must not dispose of it without the prior consent of the trustee. If the bankrupt does dispose of the money, he or she has a duty to disclose to the trustee the name and address of the person who received it. The trustee may then be able to claim the funds directly from the recipient unless that person acted in good faith, for value and without notice of the bankruptcy.

Why do other banks refuse to offer accounts?

We also asked the banks and building societies that refuse to offer basic bank accounts to undischarged bankrupts to explain their reasons for doing so. Overall, there was a large degree of consistency in their answers. The following statements are typical of the responses received:

"…we currently feel that providing bank accounts to this group would prove too large a risk. One of the main barriers to banks providing accounts to undischarged bankrupts is the risk of the bank becoming liable for activity on the account that falls outside the activities prescribed under a bankruptcy restriction order. Offering accounts to this group could, therefore, not only leave us with significant liabilities but also require us to substantially increase our level of monitoring and supervision of account activity."

"One of the risks is that the bank would be drawn into a dispute between the individual…and their official receiver, for example whether the account is used purely for living expenses or whether there are additional uses for the account. Whilst the onus is on the individual concerned to disclose any money they may have over and above reasonable living expenses, it is conceivable that the receiver and / or creditor may try to argue that the bank owes a duty of care to the creditors. In our view, the bank should not be responsible for monitoring the individual's compliance with their bankruptcy order, beyond monitoring compliance with standard anti-money laundering rules."

The risk outlined is not that undischarged bankrupts have proven themselves unable to manage their financial affairs and so cannot be trusted to run a bank account competently. Nor do these banks state that they simply do not wish to offer accounts to people who are going through bankruptcy. Rather, the banks are concerned that they may be held liable by the trustee for a bankrupt's disposal of 'after-acquired property'. This is the heart of the matter; the stumbling block which causes the majority of banks to refuse to offer accounts to undischarged bankrupts.

Most banks are concerned that they may be held liable if after-acquired property were to pass through the account of an undischarged bankrupt and they had not taken action to stop this. Their concerns may be best illustrated by an example:

If a bankrupt were to win the lottery before discharge and their winnings were paid into, then withdrawn from, their bank account and subsequently disappeared, then the banks fear that the trustee could hold the bank responsible for failing to monitor the account and attempt to reclaim these funds directly from the bank itself.

If they were to offer accounts to undischarged bankrupts, banks claim they would therefore have to undertake an onerous level of monitoring of the accounts in order to protect against this.

Almost all the banks we surveyed told us that they apply the same exclusion to people with DROs as well as those who are undischarged bankrupts. It is not clear why this should be the case as the issue of claiming after-acquired property does not arise in the case of DROs in the way it does in bankruptcy. The debtor has a general duty to co-operate with the official receiver and to inform him or her of any error or omission in the application, or any change in circumstances (including for example an increase in monthly income or a win on the lottery) that would affect (or would have affected) the determination of the DRO. If the debtor no longer meets the eligibility criteria for the DRO, the official receiver may simply revoke it.

Challenging the banks' objections

Already, two banks offer accounts to undischarged bankrupts without any discernible negative repercussions and the recently launched Credit Union Current Account is also available to them. We are also aware of some instances in which banks that have official policies of refusing to offer accounts to undischarged bankrupts have, in fact, done so.

This indicates that there are inconsistencies in the ways in which the banks' policies are being applied, and therefore calls into question how significant the legal obstacles really are.

The Insolvency Service has previously looked into the legal issues in great detail and endorsed efforts to amend the Banking Code[21] so that applications for basic bank accounts should not be refused solely because the person is an undischarged bankrupt[22]. These efforts unfortunately proved unsuccessful.

CAB evidence

A CAB in Wales saw a man in his 60s who had petitioned for bankruptcy. He had spoken to his bank and had been told that although they do not allow bankrupts to become new customers, as he was already a customer, and was in good standing with the bank, then they would be happy to allow him to continue banking with them.

Insolvency Service statement

"A bankrupt is under various obligations, such as a duty to notify his or her trustee in bankruptcy of any increase in income or any 'after-acquired property' (for example, property or money left in a will or a lottery win). The insolvency legislation places no explicit obligation on a bank to monitor an account held by an undischarged bankrupt in order to ensure that these obligations are met, although there are limited circumstances in which a bank could be expected to identify a transaction involving after-acquired property.

In the opinion of the IS, however, a bank is at no great risk if a bankrupt fails to comply with his or her duties. Of course, if a bank receives notice in writing from the trustee that he or she is claiming funds as 'after acquired property, the bank should take steps to hold the funds to the trustee's order. This obligation should not, however, prevent a bank from operating a basic bank account for an undischarged bankrupt.

Some banks consider they are at risk if the bankrupt disposes of 'after-acquired property' before the trustee has had an opportunity to claim it. The IS is happy to work with these banks to come up with practical steps to eliminate any potential risk that the banks consider may exist."

Nick Howard,
Director of Policy - Corporate, Personal and International Issues

THE INSOLVENCY SERVICE

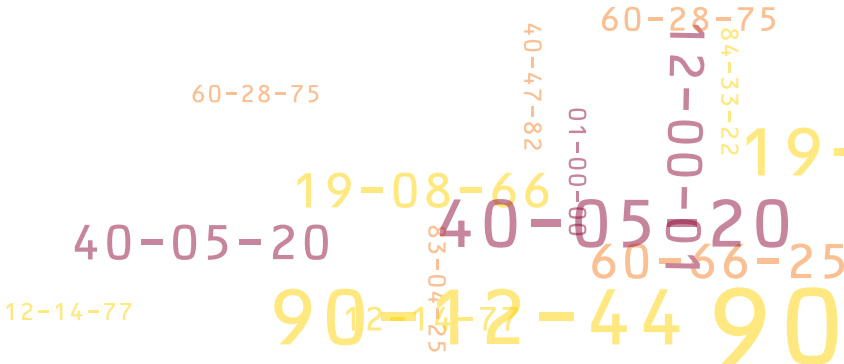
The Insolvency Service provided us with a statement (reproduced to the left) in response to the reasons cited by the majority of banks to explain their position.

The legislation governing this area is the Insolvency Act 1986. Section 307 of this suggests that banks would not be pursued for after-acquired property as long as they received the money in good faith and had not received notice from the trustee.

Our efforts to uncover any cases in England, Wales or Northern Ireland in which a trustee has sought to pursue a bank for after-acquired property which has passed through the bank account of an undischarged bankrupt and where the bank has not received notice have produced nothing. R3, The Association of Business Recovery Professionals, which represents insolvency practitioners, is not aware of this ever happening. R3 told us that it was "not aware of any instances whereby a trustee has pursued a bank for after-acquired property when they had not received notice." Similarly, The Insolvency Service is not aware of any cases involving the official receiver acting as trustee.

We therefore see no reason that this issue should present a real problem for the banks. Likewise, there would seem to be no explicit obligation on banks to undertake any enhanced level of monitoring in offering accounts to undischarged bankrupts as a result of insolvency legislation. In the absence of any compelling justification we can only conclude that their policies serve to limit the number of basic bank accounts they have to provide (perhaps because they are not very profitable) and to punish people for their bankruptcy. This would appear to be out of step with the coalition Government's desire to promote social responsibility and a wide range of consumer choice in the banking sector.

This situation must not, therefore, be allowed to continue. We want to see tangible change brought about so that the experiences of Penny, Zoë, Janette, Jon, Michael and countless others like them do not have to be repeated.



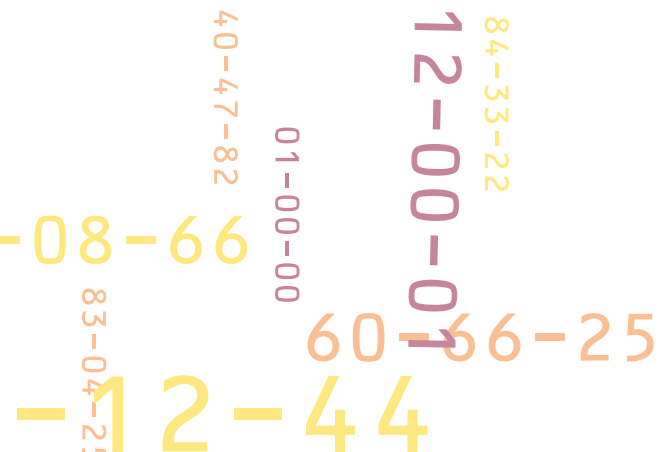
Offering accounts to undischarged bankrupts: a win-win solution

Discussion of undischarged bankrupts' access to bank accounts often centres around concerns about risk, potential liabilities and the cost of offering accounts to this group of people. However, it is also important to highlight the potential positive benefits which can accrue to banks that offer accounts to undischarged bankrupts.

Firstly, the impact of assisting someone when they are in difficulty should not be underestimated. Extremely strong bonds of loyalty can be formed with a customer if they are treated with respect and offered an account when they are bankrupt and at a low point in their lives. The interviews we conducted in writing this report confirmed this to be the case, with clients voicing their loyalty to the bank that offered them an account and allowed them to start to get back on their feet. As Lee remarked "I mean as far as I'm concerned, the Co-op have helped me out, and I shall deal with them, you know. Things do change, don't they? You know, if I come into money at some point, well, sorry but the banks will go and whistle. I shall deal with the Co-op…"

If appreciation is forthcoming for those banks that offer accounts to undischarged bankrupts, then the reverse is true for banks that rejected them. Having been scarred by rejection, the people we interviewed were adamant that they would never again do business with those banks. For example, Zoë was told by one bank to come back to open an account when she had been discharged from bankruptcy. Zoë was angered by this suggestion. She said that there was no chance she would ever bank with them in the future and she would advise her friends and family not to do so either. Furthermore, reputational damage may extend beyond the bank brand itself; Lee not only planned to avoid dealing with the banks that had turned him down, but also said he would never take his business to their associated companies.

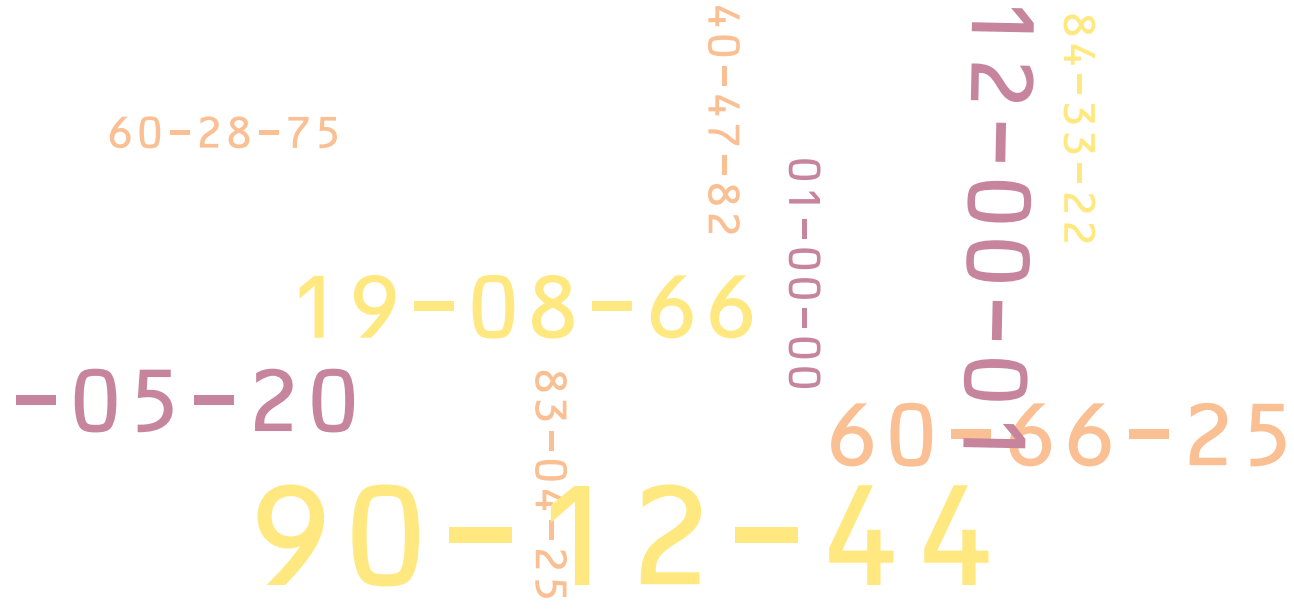
Secondly, the average age of bankrupts in 2007-08 was 42.[23] Assuming a retirement age of 65,[24] this means that following bankruptcy, bankrupts will potentially have 23 years of work ahead of them before retirement. If they were to earn average wages throughout this period then nearly £500,000 would have passed through their account, not to mention any pension payments which may also be received after retirement.[25] As Zoë, who was just 25 when she went



bankrupt, observed "They might not make any money off me for a couple of years but then they've got, what, 50, 55 years of making money. What's 12 months out of that? They won't see the bigger picture so for 12 months I'm treated like an outcast and then after 12 months I don't want a bank account with them."

Additionally, there is no reason to believe that bankrupts do not prove to be good customers. In fact, according to The Co-operative Bank, there is some evidence which suggests that:

- the average monthly amount paid in to the accounts of basic bank account customers who were bankrupt at application is higher than that paid into the basic bank accounts of those who were not
- the average number of transactions carried out each month is also higher
- the dormancy rates of their accounts are lower
- they do not place any additional demands on the bank's resources.



Conclusion

Having a bank account is essential and everyday life can be very difficult without one. Great efforts have been made to encourage the never-banked to open a bank account for the first time and positive results have been achieved. However, undischarged bankrupts who have previously had a bank account but find themselves unable to open a new one have been largely overlooked. The British Bankers Association recently stated that "everybody can have a bank account if they want one, unless (and this is rare) the law says they can't."[26] However, almost all banks refuse to provide accounts to undischarged bankrupts even though there is no law preventing them from doing so. This highlights the extent to which this problem has gone unrecognised by much of the banking sector.

Without an account it can be extremely difficult to receive wages or benefit payments. It can also be costly to pay for alternative financial services such as cheque cashing or managed accounts, and it may be impossible to obtain the best deals for goods and services. The people featured in this report had all been forced to find different ways of managing without a mainstream account. However, their coping strategies all resulted in some degree of disempowerment; for people who are trying to move on from bankruptcy and get back on track this is particularly unhelpful.

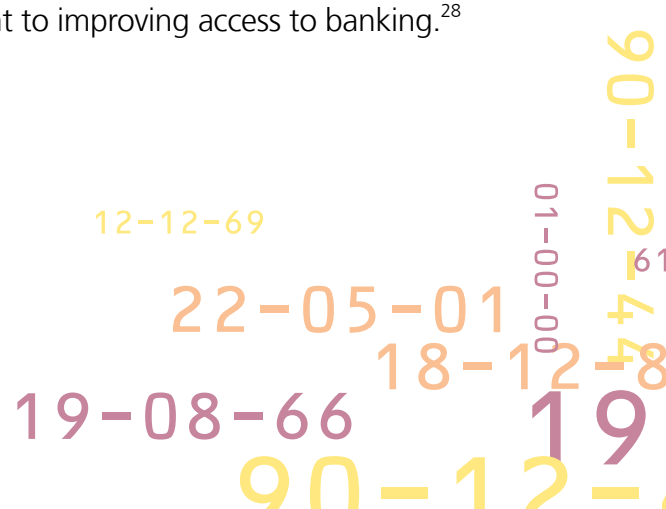
The problems caused by this lack of access to bank accounts are not confined to the individuals concerned, but also have an impact more widely. The people we spoke to often had to rely heavily on family members or friends for practical and financial support just to get by. But the negative repercussions do not end there; society as a whole stands to lose if people are denied a bank account. The increasing necessity of receiving wages electronically means that for those without a bank account it can be difficult or impossible to find a job or stay in work. And efforts to make efficiency savings in the payment of benefit income can be frustrated as those without bank accounts must continue to be paid by more traditional and expensive means.

Provided that the bank is made aware of the bankruptcy, there is no specific legislation or regulation which prohibits an undischarged bankrupt from opening and operating a bank account. Furthermore, the Insolvency Act 1986 suggests that a bank would not be held liable for a bankrupt's disposal of after-acquired property provided that they acted in good faith and without notice from the trustee. Nor is there any explicit obligation in the legislation to undertake extra monitoring on an undischarged bankrupt's account.

Despite this, the vast majority of banks and building societies refuse to open accounts for people in this situation. This is the case even for basic bank accounts which offer no credit facilities.

The plight of undischarged bankrupts and the difficulties they face in attempting to open a bank account must no longer be ignored. Bankruptcy is not a punishment, and it should not be seen as such. In fact, it is intended to "provide a fresh start for people who fail through no fault of their own."[27] Denying access to something as important and as simple as a bank account is unduly punitive and runs counter to this intention.

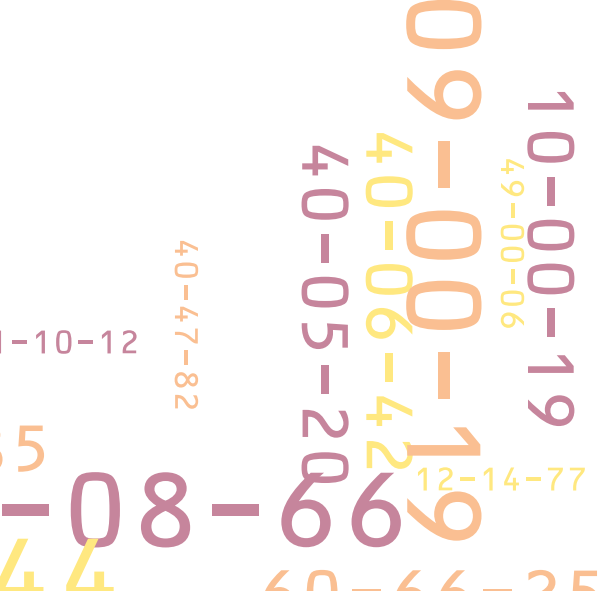
This report has focused on access to banking for undischarged bankrupts. While bankrupts are usually discharged after 12 months, after which time they are no longer explicitly excluded from opening basic bank accounts, the difficulties they face can last much longer. A record of bankruptcy remains on a person's credit file for six years and this continues to inhibit their ability to open an account. The same applies for DROs. In England, Wales and Northern Ireland more than 87,000 people went bankrupt or obtained a DRO in 2009. If this rate of insolvency remains constant then in 2015 there will be over half a million people whose current or past insolvency means that they may have difficulty opening a bank account. Failure to address this problem will undermine efforts to promote financial inclusion and runs counter to the Government's recent commitment to improving access to banking.[28]



Recommendations

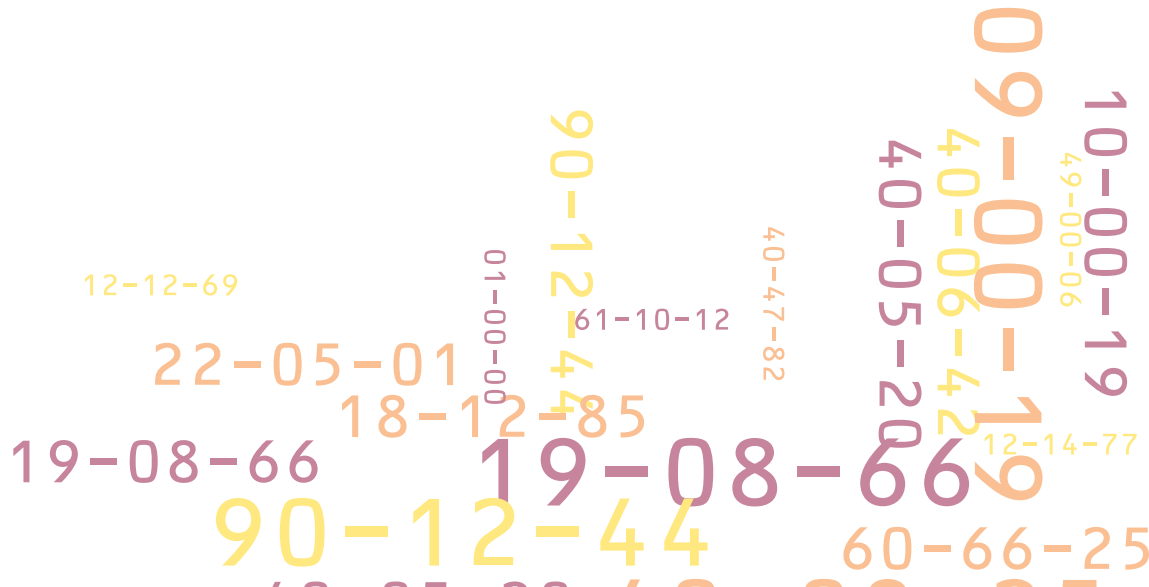
The issue of undischarged bankrupts' access to bank accounts has remained unresolved for too long. In order to address this, we recommend that:

- In light of the Insolvency Service's statement that there is nothing in the legislation to prevent a bank from operating a basic bank account for an undischarged bankrupt, and that there is no great risk to the banks in so doing, all banks and building societies that do not currently offer their basic bank accounts to undischarged bankrupts and people with DROs should do so as a matter of urgency. If the banks and building societies continue to have concerns about a potential risk, however remote, then they must take up the Insolvency Service's offer to work together to overcome this and a solution must be reached by the end of 2010.
- Once reassurance has been provided to allay concerns about any perceived legal risks, the Financial Service Authority's Banking Conduct of Business Sourcebook (BCOBS) should be amended to include a requirement that all banks and building societies which offer basic bank accounts must provide these to undischarged bankrupts and people with DROs, provided that they meet the money laundering regulations.
- The Post Office is currently seeking to expand the range of financial services that it offers. One attractive way to do so would be to deliver credit union services including the Credit Union Current Accounts via the post office network. Alternatively, it may be that Post Office Limited launches a current account as part of its existing contract with the Bank of Ireland. There has also been discussion about the creation of a new Post Office Bank. Regardless of the approach adopted, it must cater for the banking needs of undischarged bankrupts and people in DROs.
- Separately, if the Government decides to take forward the previous administration's proposal for a Universal Service Obligation (USO) on banks to create a right to a bank account, it must ensure that this applies equally to undischarged bankrupts and people with DROs.



Appendix – basic bank account providers

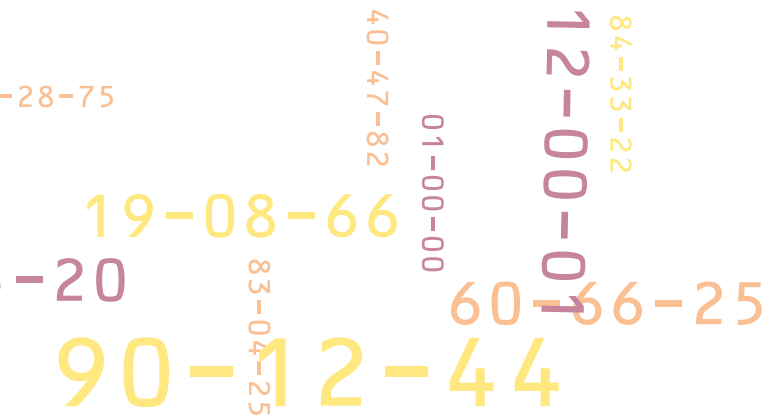
- **Alliance & Leicester:** Basic Cash Account
- **Bank of Ireland:** Basic Cash Account (only available in Northern Ireland)
- **Bank of Scotland:** Easycash
- **Barclays:** Cash Card Account
- **Clydesdale:** Readycash
- **Co-operative Bank:** Cashminder
- **First Trust Bank:** Basic Bank Account
- **Halifax:** Easycash
- **HSBC:** Basic Bank Account
- **Lloyds TSB:** Cash Account
- **Nationwide Building Society:** Flex Cash Card
- **NatWest:** Step Account
- **Northern Bank:** Northern Personal Access
- **The Royal Bank of Scotland:** Key Account
- **Santander (formerly Abbey):** Basic Bank Account
- **Ulster Bank:** Step Account
- **Yorkshire Bank:** Readycash



Endnotes

1. *Number of households without bank accounts cut by half*, HM Treasury, 2009, www.webarchive.nationalarchives.gov.uk
2. Debt relief orders (DRO) came into effect in England and Wales from 6 April 2009. They provide debt relief for people who do not own their own home, have little surplus income (no more than £50 a month), assets not exceeding £300 (value of car may be up to £1,000), and less than £15,000 of debt. A DRO lasts for a period of one year.
3. *Just the facts about basic bank accounts*, FSA, 2009, www.moneymadeclear.org.uk
4. This report does not cover Scotland where bankruptcy law is different.
5. Certain debts are excluded from bankruptcy, such as fines or maintenance payments ordered by the court.
6. An income payment agreement (IPA) is an agreement by the bankrupt make regular payments from their income into the bankruptcy estate for a specific period of time. An income payment order (IPO) is a court order which instructs the bankrupt or their employer to make payments from their income into the bankruptcy estate for a specific period of time. See *Income Payments Agreements and Income Payments Orders*, The Insolvency Service, 2007, www.insolvency.gov.uk for further information.
7. An individual voluntary arrangement (IVA) is a formal legally binding agreement between a debtor and her/his creditors, usually non-priority creditors, to repay debts in part or in full over a fixed period of time. An IVA is authorised by the court and supervised by an independent person called an insolvency practitioner.
8. *Report reveals bankruptcy remains a last resort*, Kingston University, 2006, www.kingston.ac.uk
9. *Bankruptcy Courts Survey 2005 – A Pilot Study*, John Tribe, Centre for Insolvency Law and Policy, Kingston University, 2006, www.insolvency.gov.uk
10. *Profiles of bankrupts: 2005/6 to 2007/8*, The Insolvency Service, 2009, www.insolvency.gov.uk, page 21-22.
11. See *What will happen to my bank account?*, The Insolvency Service, 2008, www.insolvency.gov.uk for more information.
12. Managed accounts are a specialist product aimed at people who have difficulty opening a mainstream bank account. They comprise two separate accounts: income is paid in and bills are paid out of one and any remaining money is paid into the other for day to day spending. Money is monitored and moved between the two accounts by the provider. A set-up fee and monthly fee are charged.
13. Typical charges may include an application fee, a monthly service charge, a cash loading fee (charged by card provider), a deposit fee (charged by bank where a top-up is undertaken), an ATM withdrawal fee, fees for purchases and internet transactions, a fee to close the account, a card replacement fee, a card renewal fee and an inactivity fee.
14. *The way we pay 2010: The UK's payment revolution*, Payments Council, 2010, www.paymentscouncil.org.uk
15. See for example, *The Poverty Premium: How poor households pay more for essential goods and services*, Save the Children and the Family Welfare Association, 2007, www.savethechildren.org.uk
16. *Financial inclusion in the UK: Review of policy and practice*, Joseph Rowntree Foundation, 2008, www.jrf.org.uk
17. *Banking the unbanked: banking services, the Post Office card account, and financial inclusion. Thirteenth Report of Session 2005-06.* House of Commons Treasury Select Committee, 2006, www.publications.parliament.uk
18. *2007 Independent Review of the Banking Codes: Recommendations of the Independent Reviewer and Response* by the Code Sponsors

19. *Post Office Banking: Government Response to Consultation*, BIS, 2010, www.bis.gov.uk
20. Section 307 of the Insolvency Act 1986
21. On 1 November 2009 the Banking Code was replaced. The parts which did not deal with lending are now regulated by the FSA under the Banking Conduct of Business Sourcebook (BCOBS).
22. Personal correspondence
23. *Profiles of bankrupts: 2005-6 to 2007-8*, The Insolvency Service, 2009, www.insolvency.gov.uk, page 13
24. Men and women's pension ages are changing. By the time a person aged 42 reaches retirement age, we would assume that the retirement age will be higher than 65. However, as these plans have not yet been finalised, we have assumed a retirement age of 65.
25. In April 2009 median gross weekly earnings for full-time employees were £489 (2009 *Annual Survey of Hours and Earnings*, Office for National Statistics, 2009, www.statistics.gov.uk). This gives a yearly net salary of £19,469. Our calculation assumes constant salary and tax over 23 years.
26. *Budget speculation on basic bank accounts*, British Bankers Association, 2010, www.bba.org.uk
27. *"Banking the unbanked": banking services, the Post Office card account, and financial inclusion. Thirteenth Report of Session 2005-06*. House of Commons Treasury Select Committee, 2006, www.publications.parliament.uk, paragraph 59
28. *Financial Inclusion Taskforce*, HM Treasury, 2009, www.hm-treasury.gov.uk



Written by
Tony Herbert and Cathy Finnegan

Citizens Advice
Myddelton House
115-123 Pentonville Road
London N1 9LZ

Volunteer hotline: 08451 264 264
Telephone: 020 7833 2181
Fax: 020 7833 4371

www.citizensadvice.org.uk
www.adviceguide.org.uk

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